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Request for the inclusion of an item in the provisional agenda of the fifty-seventh session

Observer status for the Asian Development Bank in the General Assembly

Letter dated 1 May 2002 from the Permanent Representative of China to the United Nations addressed to the Secretary-General

In accordance with rule 13 of the rules of procedure of the General Assembly, I have the honour to request the inclusion in the provisional agenda of the fifty-seventh session of the General Assembly of an item entitled "Observer status for the Asian Development Bank in the General Assembly". A letter from the Minister of Finance of the People's Republic of China, in his capacity as Chairman of the Board of Governors of the Asian Development Bank, is enclosed, together with an explanatory memorandum (annex I) in support of the above request, a copy of the summary of the annual report (annex II) and a draft resolution (annex III).

I further have the honour to request that the present letter, the letter from the Minister of Finance of the People's Republic of China, and its annexes be circulated as a document of the General Assembly.

(*Signed*) **Wang** Yingfan
Ambassador and Permanent Representative of the
People's Republic of China to the United Nations

02-36538 (E) 290502

Enclosure

Letter dated 1 May 2002 from the Minister of Finance of the People's Republic of China addressed to the Secretary-General

In my capacity as Chairman of the Board of Governors of the Asian Development Bank, through the office of the Permanent Representative of the People's Republic of China to the United Nations, and in accordance with rule 13 of the rules of procedure of the General Assembly, I have the honour to request the Secretary-General to include in the agenda of the fifty-seventh session of the General Assembly an item entitled "Observer status for the Asian Development Bank in the General Assembly", taking into account the decision taken by the Board of Directors of the Asian Development Bank (ADB) and subsequently endorsed to me by its President.

An explanatory profile of ADB (annex I) in support of the above request, a summary of the annual report (annex II) and a draft resolution (annex III) are attached to this letter, in accordance with rule 20 of the rules of procedure of the General Assembly.

ADB has cooperation agreements, memorandums of understanding and other cooperative working arrangements with other economic bodies, agencies and organizations in the United Nations system, including the World Bank, UNDP, FAO, IFAD, ESCAP and IMF (protocol agreements on poverty analysis); memorandums of understanding with ILO and WTO are under preparation and are expected to be concluded shortly. ADB has cooperated closely with these and other United Nations agencies in the execution of its loans and technical assistance grants. ADB has also participated from time to time in the preparatory processes of a variety of United Nations-sponsored conferences and committees on development issues. However, it has become increasingly apparent that ADB is disadvantaged by its exclusion from many United Nations conferences and committees relevant to its development mandate and shared mission with the United Nations, to which observer status in the General Assembly would give it access.

Through the office of the Permanent Representative of the People's Republic of China to the United Nations, I would request that the present letter and its annexes be circulated as a document of the General Assembly for its consideration.

(*Signed*) **Xiang** Huaicheng
Minister of Finance
People's Republic of China
and Chairman of the Board of Governors of ADB

Annex I

Profile of the Asian Development Bank, 2002

Introduction

The Asian Development Bank (ADB) has been contributing significantly to the economic and social development of its developing member countries (DMCs) since it's founding in 1966. During the past 35 years, the Asia Pacific region has achieved unprecedented economic and social development. Indeed, several DMCs have achieved development levels equal or close to those of the industrial countries, and substantial progress in development has been recorded throughout the region. ADB has played a significant role in these successes.

Under its Charter, ADB remains committed to the ideals of its founders "to foster economic growth and cooperation in the region and to contribute to the acceleration of the process of economic development of the developing member countries, collectively and individually". The Charter mandates ADB to finance development of its DMCs through "regional, sub regional and national projects and programs, which contribute most effectively to the harmonious economic growth of the region as a whole." However, to remain an effective institution relevant to the changing needs of the region, ADB has continually been adapting its priorities, assistance modalities, and organizational structure, and has transformed itself from what was essentially a project financier to a full-fledged development institution.

With the adoption of its poverty reduction strategy at the end of 1999, ADB made reducing poverty in the region its main goal. ADB's strategy for reducing poverty rests on three pillars; pro-poor, sustainable economic growth, social development, and good governance. ADB pursues this goal primarily by providing loans, guarantees and related technical assistance for projects and programs in the territories of its developing member countries.

Ownership

As of 31 December 2001, ADB was owned by 59 members: 20 were Organisation for Economic Co-operation and Development (OECD) members and 39 were developing member countries[1] in the Asia-Pacific region. The two largest shareholders, as of 31 December 2000, were Japan and the United States, having subscribed 15.9 percent each of the total. European member countries had together subscribed to 15.1 percent; Australia, Republic of Korea, and New Zealand have together subscribed to 12.6 percent; and Canada to 5.3 percent. The OECD members own 65 percent of the shares of ADB and provide 65 percent of its professional staff.

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[1] The term "country," as used in the context of ADB, refers to a member of ADB and does not imply any view on the part of ADB as to the member's sovereignty or independent status.

Location

ADB is headquartered in Manila and has 22 overseas offices including 14 resident missions located in Bangladesh, Cambodia, People's Republic of China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; a country office in the Philippines; a regional office in Vanuatu; a special liaison office in East Timor; extended missions in Papua New Guinea and Gujarat in India; and three representative offices located in Washington, D.C.; USA for North America, Frankfurt, Germany for Europe and Tokyo, Japan for Japan. ADB is governed by the Agreement Establishing the Asian Development Bank (the Charter) that has the force of law in each of ADB's 59 member countries.

Organization

All powers of ADB are vested in the Board of Governors, which consists of one Governor and one Alternate appointed by each member and are usually ministers of finance, governors of central banks or officers of comparable rank.

ADB has a resident Board of Directors at its headquarters made up of 12 members elected by the Governors. The Board provides policy guidance for ADB's general operations. It also considers and approves all loans, guarantees, equity investments, and technical assistance grants exceeding $1,000,000 as well as ADB's annual borrowing program.

The President, who is also Chairman of the Board of Directors, and three Vice-Presidents, conducts the day-to-day operations of ADB.

Ordinary Capital Resources and Special Funds

In making loans, ADB provide funds from either its ordinary capital resources (OCR) or Special Funds. ADB finances its OCR lending operations through borrowings, paid-in capital, retained earnings, and loan repayments. Special Funds are primarily contributed funds from member countries, which are provided in turn by ADB on concessional terms to ADB's lesser developed member countries.

Financial Operations

ADB adheres to prudent borrowing and lending practices. It maintains adequate levels of net income, liquidity, and reserves; continuously monitors the creditworthiness of its borrowers; and requires thorough technical, financial, and economic justifications for all projects for which loans are provided.

Capital Structure

The capital structure of ADB is fundamental to its strength. As of 31 December 2001, the authorized capital of ADB amounted to $43,834 million. The subscribed capital is composed of paid-in and callable capital and stood at $43,628 million. Borrowings in 2001 totaled $1,607

million, including $1,207 million in medium-and long-term funds through 15 structured private placement transactions and 2 opportunistic public offerings.

Lending Policies

ADB is authorized to make, participate in, or guarantee loans to its developing member countries or their governments, to any of their agencies or political subdivisions, and to public or private enterprises operating within such countries, as well as to international or regional entities concerned with economic development in the region.

Loans are made only for projects or programs of high developmental priority. ADB provides financing to its borrowers to cover foreign exchange expenditures and also finances local currency expenditures in certain cases.

As a general rule, the lesser developed of ADB's members borrow on concessional terms from the Asian Development Fund (ADF), while members with stronger economies borrow from ordinary capital resources.

ADB's policy-based program lending is designed, as a complement to its project-specific lending, to develop a sector (or sub sector) as a whole and improve a sector's performance through appropriate policy and institutional reforms over the medium to long term.

The majority of ADB loans have been made to the public sector, namely, to member countries or, with the guarantee of the member government concerned, to government enterprises or other public entities. However, ADB also maintains a lending program designed to support the private sector in developing member countries by direct lending to private enterprises and financial institutions without government guarantee. ADB is also empowered by the Charter to make equity investments and underwrite or participate in the underwriting of securities.

Major Recipients of Loans

Lending for both public and private sector operations in 2001 amounted to $5,339 million for 76 loans in 60 projects. The average loan size in 2001 was $70 million. Of the total lending, loans with government were over $5,301 million for 57 projects, comprising $3,940 for 26 loans from ordinary capital resources (OCR) and $1,362 million for 46 loans from the concessional Asian Development Fund (ADF) Lending to the private sector without government guarantee amounted to $37.5 million for four loans for three projects. India received the largest amount ($1,500 million or 28 percent), followed by the People's Republic of China, Pakistan, and Indonesia.

Hong Kong, China; Republic of Korea; Singapore; and Taipei, China are considered graduated from regular ADB assistance. Only OCR loans are provided to the more advanced borrowing countries in the region. Most of those countries are predominantly market-economy oriented and include three members of the Association of South East Asian Nations or ASEAN, (Malaysia, Philippines, and Thailand), the Republic of Fiji Islands, and two Central Asian countries, Kazakhstan and Uzbekistan. India, People's Republic of China, Nauru, and Indonesia are eligible to receive OCR with limited amounts of ADF (although ADF resources will not be available to People's Republic of China and India during the ADF VIII period). Countries

with access to limited amounts of OCR in addition to ADF include: Bangladesh, Cook Islands, Marshall Islands, Micronesia, Pakistan, Sri Lanka, Tonga and Viet Nam.

Types of Development Projects Financed

ADB lending includes support for developing energy, agriculture, transport and communications, and other basic infrastructure. Projects financed by these loans are designed to give recipient countries a sounder economic base to enable them to achieve and maintain higher and sustained levels of economic growth. ADB also finances development of financial systems in developing member countries and small and medium-scale projects, mostly in the private sector, through loans to financial intermediaries within the borrowing countries, which on-lend ADB funds for such projects.

In response to the changing needs and imperatives of the developing member countries and the international environment, ADB also emphasizes loans to address important social and environmental concerns of poverty reduction, improvement of the status of women, development of human resources (including family planning), good governance and sound management of natural resources and the environment.

With the adoption of its new Poverty Reduction Strategy, ADB refocused its work towards the single, overarching goal of reducing poverty. All ADB operations are expected to directly or indirectly contribute to poverty reduction in developing the Asia-Pacific region.

Technical Assistance

Technical assistance supports project preparatory technical assistance (PPTA), advisory and operational technical assistance (ADTA) and regional technical assistance RETA) initiatives. In 2001, ADB approved 257 technical assistance grants totaling $146 million. PPTAs accounted for 64 projects amounting to $40 million, while ADTAs accounted for 142 projects amounting to $76 million. The remaining 51 projects, valued at $30 million were for regional technical assistance.

Grants

Grants from various bilateral and global facilities provide an increasing source of fund for operational activities. In 2001, 16 projects received grants totaling $93 million. Of this, eight [projects received about $24 million from the Japan Fund for Poverty reduction; eight projects that received ADB loans during the year also received grants totaling $70 million for the governments of Australia, Denmark, The Netherlands, United Kingdom and the Global Environment Facility.

Co financing

ADB actively pursues cofinancing with official as well as commercial and export credit sources to complement its assistance to public and private sector projects in its developing member countries. Cofinancing provides funds that are additional to ADB's planned lending levels and normally improves the terms of lending when blended with ADB' own direct loans. In connection with such activities, ADB maintains close relations with other international development organizations, including UN agencies, and acts as administrator for, or has made

joint financing arrangements with, a number of multilateral and bilateral development agencies. ADB has also been joined by commercial institutions in cofinancing projects in the region, and is continuing to promote increased commercial cofinancing. The total amount of cofinancing arranged in support of ADB-assisted operations as of the end of 2001 amount to $36.0 billion for 580 loan projects and programs.

Conclusion

Future lending by ADB embraces many priority areas for which increased exchange with the UN General Assembly would be mutually beneficial, in particular on programs focussing on social infrastructure, the environment and social development. In this context, ADB has protocol agreements with IBRD and IMF, memorandums of understanding with UNDP, IFAD and FAO and is currently negotiating MOUs with ILO and WTO. It is firmly committed to cooperation with these and all other participants in the development process to achievement by 2015 of international development goals agreed by the international community. In accordance with these shared objectives, ADB believes that reinforcement of its ties with the UN by it being granted observer status at the General Assembly (GA) would be timely and mutually beneficial. Pursuant to the decision of its Board of Directors, ADB therefore requests that observer status be granted to ADB to cover all bodies within the GA's framework.

ADB Online

General Information
http://www.adb.org

Financial Information
http://www.adb.org/finance

Asian Recovery Report 2000
http://aric.adb.org

Bloomberg Presentation
ASDB<GO>

Annex II

Summary of the annual report of the Asian Development Bank, 2001

For the Asian and Pacific region and the Asian Development Bank (ADB), 2001 was a year of great challenges and tragedies. It was a year when earthquakes shook India and Tajikistan, a harsh winter hurt Mongolia, and terrorism shocked the world. Exports, tourism, and foreign investment fell, and currency and equity markets became more volatile as the impact of 11 September hit consumer and investor confidence. It was a year of slow and uneven growth worldwide, a year when the external economic environment challenged many of ADB's developing member countries (DMCs) at every turn. And, it was a year when ADB took up the challenge of reorganizing itself to meet the complex development needs of the region.

The year was also one of cooperation, consultation, and commitment, when nations united in the fight against terrorism; when multilateral organizations and governments, and the public and private sectors, banded together to meet the challenges of poverty. It was a year when the public and private sectors began to adapt their procedures and practices to meet international standards of accountability, transparency, and disclosure. It was a year when nations cooperated, when diversity and common goals were bridged through consultation and dialogue.

ADB met the challenges of 2001, strengthening itself with the approval of key policies and strategies, encouraging participation and broadening partnerships, and providing loan and technical assistance where needed.

In 2001, the Board of Directors (the Board) approved directly, or through authority delegated to the President, 76 loans totaling $5.3 billion, 3 equity investments worth $30.4 million, 257 technical assistance projects amounting to $146.4 million, and grants for 16 projects totaling $93.8 million. Emergency assistance was approved for earthquake-stricken Gujarat, India, and assistance for the DMCs affected by the aftermath of the 11 September events—including Afghanistan, Pakistan, and the Central Asian republics—was extended.

Strengthening the framework

The strategies and policies approved in 2001, discussed in this Annual Report, resulted from consultation with governments, nongovernment organizations (NGOs), other international

organizations, and stakeholders throughout the Asian and Pacific region, as well as from internal reviews of priorities and operations. Interconnected and intertwined, these policies strengthen ADB's framework.

In March, the Board approved the Long-Term Strategic Framework (LTSF) 2001–2015, a 15-year plan for ADB's all-out assault on poverty. Drawing from the 1999 Poverty Reduction Strategy and the 2000 Private Sector Development Strategy, the LTSF focuses on achieving sustainable economic growth, inclusive social development, and good governance.

The LTSF sets out fundamental operating principles for reducing poverty, including ensuring DMCs own their poverty reduction programs, enhancing strategic partnerships, and measuring development impacts.

The Board also approved the Medium-Term Strategy (MTS) 2001–2005—the bridge between the LTSF and the activities ADB will undertake in its DMCs over the next 5 years. Designed to enhance the development impact of ADB assistance, the MTS advocates stronger ADB commitment in addressing the institutional and policy issues that support its thematic priorities. The MTS strengthens ADB's leadership role in regional cooperation—one of ADB's unique strengths—and reiterates the importance of economic growth in reducing poverty. The MTS also advocates investments in the physical infrastructure necessary to promote growth and productivity in both rural and urban areas as well as social infrastructure and services for human development to support pro-poor growth.

The MTS is translated into action by individual country strategy and program (CSP) reports. The CSP and CSP updates—developed in cooperation with each DMC—emphasize a countrywide approach to development and ensure a DMC perspective for ADB operations.

Several operational procedures and policies were approved in 2001. Acknowledging the powerful force of information and communication technology (ICT) in shaping the social and economic development of Asia and the Pacific, ADB adopted a strategic approach to assist its DMCs in seizing the opportunities created by ICT. The new strategy—Toward E-Development in Asia and the Pacific: A Strategic Approach for Information and Communication Technology—creates an enabling environment for ICT development, builds the human resources to promote ICT literacy, and develops the applications and information content for ADB-supported activities.

Poverty is reduced more extensively and rapidly during periods of fast economic growth. The private sector, through investment and job creation, can play a vital role in reducing poverty. In 2000, the Board approved ADB's first comprehensive Private Sector Development Strategy, which confirmed the role of ADB's private sector operations in catalyzing private investment through direct financing and risk mitigation instruments. In 2001, the Board affirmed ADB support for infrastructure projects, funds, and financial intermediaries, and ensured that such support would be oriented toward achieving greater development impact and demonstration effects.

The LTSF sets out fundamental operating principles for reducing poverty, including ensuring DMCs own their poverty reduction programs, enhancing strategic partnerships, and measuring development impacts.

Regional cooperation, sustainable growth, and private sector development were further promoted with the approval in 2001 of the Pacific Strategy for the New Millennium. The strategy focuses on streamlining the public sectors and boosting private sector investment as

Strengthening Partnerships: ADB and the World Bank

Better coordination, improved communications, a more clearly defined division of labor, and increased efficiency are expected when the Memorandum of Understanding (MOU) on Administrative Arrangements for Cooperation, signed in 2001 by ADB and the World Bank, takes effect. The MOU provides the framework and processes for the two development banks to work more closely. It also calls for implementation of an existing joint protocol on collaboration that is expected to support the preparation of poverty reduction strategies. Operational procedures and processes will be harmonized, and efficiency and effectiveness at the country and institutional levels will be enhanced.

Management of the two institutions will review implementation progress regularly and will report their findings to their respective Boards of Directors.

the way to tackle physical and economic vulnerability and governance problems.

Water for All. The Water Policy of the Asian Development Bank, approved by the Board in 2001, also promotes regional cooperation. It emphasizes that water is a vital economic good that needs careful management both to sustain growth and to reduce poverty. The policy stresses the need for integrated cross-sector approaches to water management and development. Conservation and participatory approaches to protecting water resources are at the heart of the policy.

ADB's policy foundation was further strengthened with the approval in September 2001 of the Social Protection Strategy. Integral to ADB's goal of reducing poverty, the strategy advocates helping vulnerable populations better manage risks and develop their human capital.

Broadening partnerships

President's visits

The President carried ADB's message to several DMCs and international conferences in 2001. As the first head of a multilateral development bank to visit Pakistan after 11 September, Mr. Chino saw firsthand the effects of isolation on Afghanistan's people. He was able to draw on this experience when he later traveled to Washington, DC for a Senior Officials' Meeting on Reconstruction Assistance to Afghanistan, cochaired by Japan and the United States.

Also in 2001, Mr. Chino attended the Confederation of Asia-Pacific Chambers of Commerce and Industry in Batam, Indonesia—where he reiterated ADB's strong commitment to supporting the Government's efforts for reform and poverty reduction—and visited four of the Central Asian republics—Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. He opened ADB resident missions in Lao People's Democratic

Republic, Mongolia, and Philippines and participated in the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in Suzhou, People's Republic of China.

Directors' visits

A group of Directors visited Cambodia and Viet Nam from 24 February to 10 March, and another group traveled to Azerbaijan, Kazakhstan, and Tajikistan from 27 August to 12 September.

The visits provided the Directors an opportunity to better understand the development conditions in the DMCs and to discuss priorities and constraints with senior government officials, civil society, NGOs, and others from the perspective of the DMCs concerned. The visits also allowed the Directors to look at specific ADB-supported development projects, and review the implementation status and challenges being faced by the DMCs. The Directors assessed agency coordination, focusing in particular on those areas where duplication could be avoided, and provided stakeholders with a better understanding of the work ADB does in each DMC.

In Cambodia and Viet Nam, the Directors recommended that ADB focus on increasing loan disbursements to strengthen implementation, and reducing the number of regions and sectors in the CSP reports. The Directors noted the Vietnamese authorities' concern regarding the use of consultants

Strengthening Partnerships: ADB and the United Nations

They share the goal of reducing poverty. They share the democratic governance framework for achieving that goal. And in May 2001, ADB and the United Nations Development Programme (UNDP) strengthened their common purpose even further when they signed a Memorandum of Understanding (MOU) on Strategic Partnership.

The MOU specifies priority thematic areas and modalities of cooperation between the two organizations. It provides for a UN Development Assistance Framework, and cooperation between ADB and other UN organizations—particularly in aid coordination and in such activities as preparing common country assessments, country strategies and programs, and a common database on poverty and other social indicators.

The agreed guidelines call for an annual consultation meeting to monitor, report, and review the progress of partnership. The guidelines also stipulate the designation of focal persons for each thematic area of cooperation to identify opportunities for cooperation and initiate action toward realizing those opportunities.

Partnership initiatives include cooperating in monitoring and assessing the Millennium Development Goals, which are mostly poverty related, and negotiating an umbrella agreement to include ADB staff in UN security arrangements.

Development Programme prepared the Preliminary Needs Assessment for Afghanistan's recovery and reconstruction for presentation at the Ministerial Conference on the Reconstruction of Afghanistan in Tokyo in January 2002. The Japanese Government and ADB established the Japan Fund for Information and Communication Technology to facilitate advances in technology and communications and to bridge the growing digital divide in Asia and the Pacific. ADB signed a Memorandum of Understanding on Administrative Arrangements with the World Bank and also helped develop the Comprehensive Development Framework and Poverty Reduction Strategy papers.

General operations

In 2001, the Board of Directors met formally on 62 occasions, including executive sessions, and held 9 informal meetings, including briefings, discussion seminars, and presentations.

Of the Board-approved $5,334 million for 76 loans covering 93 projects, the largest share went to the transport and communications sector. Seventy-two loans totaling over $5,301 million for 87 projects were made with government guarantee—$3,940 million from ordinary capital resources and $1,362 million from the Asian Development Fund. Four loans totaling $37.5 million were approved for three private sector projects, including the first private sector support for social sectors for education and health care. The Board also approved three equity investments amounting to $30.4 million.

The Board approved directly, or through authority delegated to the President, 267 technical assistance grants totaling $146.4 million, of which $59.6 million came from the Technical Assistance Special Fund, $33.6 million from regular and supplementary contributions to the Japan Special Fund, $16.1 million from the Asian Currency Crisis Support Facility, and $16.7 million from other sources.

The Boards and Their Functions

ADB is governed by a Board of Governors, which, at the end of 2001, consisted of 59 members (43 regional and 16 nonregional). Under Article 28 of ADB's Charter, the Board of Governors is vested with all the powers of ADB. In turn, the Governors delegate their authority to the Board of Directors, except for certain powers reserved to them under the Charter.

The Board of Governors meets formally once a year for ADB's Annual Meeting. *For resolutions approved by the Board of Governors in 2001 and its membership, see Appendixes 1 and 2.*

Under Article 28, the Board of Governors elects a 12-member Board of Directors, 8 elected by regional members and 4 by nonregional members (see *Appendix 3*). Each Director appoints an Alternate Director. The President of ADB is the Chairperson of the Board of Directors. In 2001, the Board of Governors unanimously reelected President Tadao Chino for a new 5-year term, beginning 24 November 2001.

The Board of Directors performs its duties full-time at ADB's headquarters in Manila, Philippines, and meets in regular formal and executive sessions. The Directors exercise their authority and functions by supervising preparation of ADB's financial statements, approving ADB's administrative budget, and reviewing and approving policy documents and all loan, equity, and technical assistance operations.

1 Republic of Korea's Articles of Agreement as a new member of ADB on 21 May 2001, bringing the total membership to 59.

Providing Support: The Office of the Secretary

Providing advice and counsel to the Board of Governors, Board of Directors, and President is the Office of the Secretary. Its other principal functions are to help organize the Annual Meeting; to plan the calendar of the Board of Directors and to organize and facilitate meetings of the Board and its committees; to edit, classify, and circulate Board documents; to administer the terms and conditions of engagement of Management and the Board; to process applications for membership in ADB; to administer the inspection function; and to provide protocol support and services.

In 2001, to facilitate Board consideration of loan projects, the summary procedure was revised. Processes were developed to discuss country strategy and program reports and their updates at Board meetings, and an integrated documents management system was initiated. The process for reelection of the President was organized. A new roster of independent experts for the inspection function was drawn up, and the first inspection was begun. Public seminars on the inspection function were held in the Lao People's Democratic Republic and Nepal, and eight seminars to brief ADB staff were held at headquarters. The 34th Annual Meeting of ADB's Board of Governors was held in Honolulu, Hawaii, from 9 to 11 May 2001.

In informal meetings, the Board examined a range of issues, including country strategies and program reporting structure and updates, working with NGOs, and a strategic approach for ICT for the Asian and Pacific region.

Board committees

The Board of Directors had four standing committees and one working committee in 2001. *For membership, see Appendix 4.*

Audit Committee

The responsibility for evaluating operations was transferred from the Board's Audit Committee to its newly created Development Effectiveness Committee in 2001. This shift allowed the Audit Committee to focus on internal controls, and internal and external audits. In its 2000–2001 report, the Audit Committee concentrated on the impact of the new financial accounting standards (FAS 133) on ADB's financial statements. It stressed the importance of closely following the evaluation of current thinking among the multilateral development banks regarding figures to be adopted for financial decisions and the use of three parallel accounting frameworks. The Committee oversaw the bidding process for selecting external auditors for 2001–2004 and concurred with the reappointment of PricewaterhouseCoopers LLP. reviewed and endorsed the 2001 work program of the Office of the General Auditor, including the activities of the Anticorruption Unit, recommended that the new Regional and Sustainable Development Department be the focal point in ADB for good governance activities, and monitored the implementation of and internal operational controls in the development of INTEGRA, the integrated computer system being implemented in ADB.

Budget Review Committee

The Budget Review Committee met in June 2001 to review the implementation status of the Information Systems and Technology Strategy (ISTS), future information technology directions for ADB, and capital expenditures for 1998–2002. In November, it reviewed Management's 2002 budget proposal, 2001 work accomplishments, and 2002 work plans of ADB departments and offices.

At the June meeting, the Committee noted the generally satisfactory progress of most ISTS subprojects while noting delays in implementing the INTEGRA system. It asked that the interface between the INTEGRA and other planned systems be properly established and confirmed promptly to ensure seamless data generation and information flows to optimize the system's integration.

In November, the Committee noted the expected benefits in the new regional department structure, especially in terms of services to DMCs, and focus on long term approaches. It noted that the success of the reorganization would hinge on the effectiveness of the Regional and Sustainable Development Department. It emphasized the critical role of the Knowledge Management Committee in effectively coordinating departments and offices in the knowledge group, and stressed the importance of the new business processes in improving efficiency and effectiveness, and reducing transaction costs.

The Committee noted that the number of new policies and mandates approved over the last 5 years had placed increased pressure on ADB resources, and that ADB's policy mandates needed to be adequately funded and staffed.

The Committee welcomed the introduction of environmental and social guidelines in private sector operations and suggested that the Private Sector Operations Department explore more ways to address poverty reduction. It noted that ADB's portfolio management was as important as project processing, and stressed the importance of exploring innovative ways to assess the leverage effects of ADB's assistance.

The Committee noted that the transition to London interbank offered rate (LIBOR) based lending (LBL) would require a radical change in accounting systems and a strong team to ensure that ADB and its DMCs get the full benefit of LBL.

On the budget process, the Committee urged ADB to explore translating into budgetary terms the cost of implementing policies and other key initiatives, and also, to the extent feasible, the benefit expected in terms of the leverage effects of ADB assistance. It sought clarification of the rationale for cost demarcation between technical assistance and internal administrative expense (IAE), stressing the need for ADB to remain rigorous in distinguishing between technical assistance and IAE financed activities.

The Committee noted several key training programs aimed at building mission leaders' capabilities. It also urged more effort in the recruitment and career development of women professional staff. It urged that security, financial, personal, and professional issues be considered to facilitate recruitment and retention of these staff.

The Committee recommended approval of the budget for 2002.

Development Effectiveness Committee

The Development Effectiveness Committee established in December 2000 became active in 2001. The Committee's mandate is to help the Board ensure that ADB's programs and activities achieve the desired development objectives and use ADB resources efficiently.

The Committee focused on ADB's operations evaluation program and results. It reviewed the annual work program of the Operations Evaluation Department (OED), reviewed the annual programs for project and technical assistance completion reports coordinated by the Central Operations Services Office (COSO), discussed with staff OED's Annual Review of Evaluation Activities in 2000 and COSO's Semiannual Report on Loan and Technical Assistance Portfolio Performance for the period ending 31 December 2000, and prepared Committee reports on these, and reviewed selected OED evaluation reports.

The Committee concluded that the evaluation of ADB's development effectiveness was carried out adequately and efficiently in 2001.

In its reports to the Board, the Committee emphasized the need to assess realistically the achievements and sustainability of completed projects and specify and implement follow-up measures to support sustainability, incorporate adequate provisions for operation and maintenance in project design, ensure government ownership and local participation in projects, wherever possible, specifically target the poor to ensure that they benefit from projects, focus on long-term rather than short-term solutions, continue efforts in capacity building for project implementation in the DMCs, and use ADB's resident missions effectively.

Inspection Committee

In 2001, the Inspection Committee assisted in evaluating candidates for the new roster of independent experts, who were subsequently appointed by the Board in July 2001 with 3-year terms expiring on 30 June 2004. The roster now comprises 30 names from 20 countries. For details, see *http://www.adb.org/inspection*.

In April 2001, the Inspection Committee received a request for an inspection of the Samut Prakarn Wastewater Management Project in Thailand and, in July, the Board approved the Committee's recommendation for an inspection.

The Committee noted and subsequently expressed concern that some policies had been approved by the Board but had not yet been incorporated into the Operations Manual, thereby excluding them from the scope of the Inspection Policy. Management is reviewing the issue.

The Committee selected three panel members (the Panel), who inspected the Project in September 2001. The Panel's final report was forwarded to ADB Management in December 2001.

Also in December, the Committee received a request for inspection of the Southern Transport Development Project in Sri Lanka.

Annex III

Draft resolution

Observer status for the Asian Development Bank in the General Assembly

The General Assembly,

Wishing to promote cooperation between the United Nations and the Asian Development Bank,

1. *Decides* to invite the Asian Development Bank to participate in the sessions and the work of the General Assembly in the capacity of observer;

2. *Requests* the Secretary-General to take the necessary action to implement the present resolution.